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Risk Management Agency **Education and Outreach Plan** for Specialty Crop Producers 2001-2005

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**As Authorized in the
Agricultural Risk Protection Act of 2000
Section 131 [FCIA 522 - (d)]
Signed into law, June 20, 2000**



Risk management . . .
. . . what the times demand

December 8, 2000





Contents

To Farmers, Ranchers, and Education Partners	Page 3
Introduction	Page 4
Values Underlying the Plan's Goals	Page 6
Goals	Page 8
Program Element I - Educational Content	Page 10
Program Element II - The Customer	Page 12
Program Element III - Delivery Methods	Page 14
Assessment of Results	Page 15
Educational Partnering	Page 18
Glossary	Page 19

To Farmers, Ranchers, and Education Partners,

USDA's Risk Management Agency (RMA) is committed to meeting the risk management needs of the nation's farmers and ranchers. We do this by delivering Federal crop insurance products through a network of private-sector partners, by overseeing the creation of new products, by ensuring the integrity of crop insurance programs, by offering outreach programs aimed at equal access and participation of producers, and by providing risk management education and information.

RMA's educational mission has been strengthened significantly as a result of the passage of the Agricultural Risk Protection Act of 2000 (the 2000 Act). Among its many other features, the 2000 Act mandates bold risk management education and outreach initiatives. Working together with other public and private organizations, such as Cooperative Extension Services, state Departments of Agriculture, and grower organizations, RMA is tackling the opportunities provided by the 2000 Act to reach producers with education and information.

This long term plan provides a guide to a major education and outreach program which RMA has established together with its education partners as a result of the 2000 Act. This program is directed to those producers across the United States who produce specialty crops or are not currently served by a viable crop insurance program. Specifically, this plan seeks to:

- Specify the educational and outreach goals RMA hopes to achieve (for fiscal years 2001 through 2005) for those who produce specialty crops .
- Identify the general program elements RMA will use to accomplish its educational and outreach goals.
- Describe the method RMA will use to assess the public benefits produced by the efforts of RMA and its education partners.
- Provide guidance for those in the public and private sectors who wish to partner with RMA in reaching farmers and ranchers in the targeted region.

We hope this document will help you better understand the program of risk management education and outreach for those specialty crop producers targeted by the 2000 Act. We also invite you to join with us in this effort to improve the farm safety net through education.

Sincerely,

Kenneth D. Ackerman, Administrator
USDA Risk Management Agency

Introduction

In the Agricultural Risk Protection Act of 2000 (the 2000 Act), Congress directs the Risk Management Agency (RMA) to implement many initiatives intended to increase the effectiveness of risk management tools. One of these directives is to step up the agency's educational and outreach efforts to producers who grow specialty crops or who are not currently served by the Federal Crop Insurance program. RMA is to use the authority and funds of the Federal Crop Insurance Corporation to enter into partnerships with public and private entities:

“...to provide producers with training and informational opportunities so that the producers will be better able to use financial management, crop insurance, marketing contracts, and other existing and emerging risk management tools....”

RMA met with national and regional agribusiness leaders, agricultural educators, and producers to review the challenges and opportunities afforded by the 2000 Act. This document draws heavily from input received during those meetings.

In relatively broad terms, this long-term plan outlines RMA's education and outreach program to reach those producer identified in Section 131 of the 2000 Act. It describes the values and principles that will guide RMA's education and outreach efforts during the five years covered by the Act (FY2001 through FY2005). More detailed information regarding RMA's program during specific fiscal years is provided in supplemental one-year plans. One-year action plans assess the performance of each preceding fiscal year and, using the long-term plan as the guide, describe specific actions and objectives to be sought for the next fiscal year.

This long-term plan first identifies the values which drive the program's education and outreach goals, followed by a detailed explanation of those goals. Next is a description of the program's educational elements. For an educational experience to occur, three elements must be present: a subject to be taught, a student, and a teacher. These correspond to the three program elements in the plan:

- **Educational Content** (*the “subject” - specific risk management skills, concepts, or items of information to be conveyed*)
- **The Customer** (*the “student” to whom the educational activities are directed*)

- **Delivery methods** (*the “teacher” - the specific types of educational activities in the program*)

The plan also spells out how RMA will document and assess the public benefits produced by this educational and outreach program.

Finally, this plan provides guidelines regarding the roles of various educational partners in implementing risk management education under the plan.

Values Underlying the Plan's Goals

In developing this plan for specialty producers, RMA's educational partners expressed the need to incorporate a set of values upon which a program could be established. The following were considered to be the most important values RMA should incorporate in its education and outreach goals:

- *Meeting the needs of farmers and ranchers.* The needs of agricultural producers who produce specialty crops and who do not currently have viable crop insurance alternatives were identified as the foremost consideration for planning. All activities envisioned in this plan correspond to meeting specific educational and informational needs of these farmers and ranchers.
- *Leveraging through partnerships.* Many public and private organizations have a vital stake in ensuring the financial health of US agriculture and rural communities. Moreover, they have the capacity to reach targeted producers and the credibility to deliver local education programs. This educational plan leverages USDA funding earmarked for specialty crop producers and public and private stakeholders that possess the resources and program delivery capacity to train producers about managing their risk. This is accomplished through partnering opportunities.
- *Determining program needs at the local level.* RMA's educational partners are in the best position to accurately assess local educational and informational needs. The plan relies heavily on local input for determining producer needs and for generating the best ideas for meeting those needs through educational activities.
- *Building upon an existing infrastructure.* RMA has already established a network of public and private sector partners to deliver education and outreach programs to agricultural producers. And, several previously sponsored projects have special significance for producers targeted in this plan. The plan seeks to substantially broaden its partnership network and to maximize the effectiveness of existing RMA projects.
- *Considering agricultural diversity.* Agricultural commodities, farm size, production practices, and the farmers and ranchers across the U.S. are enormously diverse. This plan seeks to develop a wide variety of informational materials and educational delivery methods to meet the needs of all targeted producers.

- *Offering various educational delivery methods.* Just as specialty producers of different commodities have different informational needs, specialty producers have different ways of receiving their farm business information and learning new skills. The plan accounts for these differences by offering quality educational experiences through a variety of delivery methods.
- *Complementing other risk management efforts.* Increased education is just one of the activities promoted within the 2000 Act. This plan seeks to blend the elements of RMA's educational and outreach program with the other risk management objectives of the 2000 Act and with the other agricultural educational efforts of public and private groups.
- *Employing emerging information technology.* Advances in technology provide new and better ways to deliver education and information to certain specialty producers. The plan seeks to employ these advances whenever possible while, at the same time recognizing that traditional educational activities, such as workshops, meet the needs of certain farmers.
- *Ensuring accountability.* The Government Performance and Results Act of 1993 requires that government programs become more accountable to taxpayers and that agencies communicate more effectively with stakeholders. This education and outreach plan seeks to ensure that goals are clearly communicated, that activities result in tangible public benefits, and that program outcomes are, wherever possible, objectively measured, analyzed, and reported.

Goals

One of the goals identified in RMA's long term strategic plan is to:

"Strengthen the safety net for agricultural producers through sound risk management programs and education."

Within this strategic goal, an objective is to:

"Increase the agricultural community's awareness of risk management alternatives."

RMA focused on this strategic goal and objective, the core set of values identified earlier, and specific desired outcomes identified by RMA and its education partners to provide the foundation for this long-term education and outreach plan. From these factors, RMA identified three major goals for its education and outreach program to producers of specialty crops for 2001 through 2005. RMA will seek to achieve the following:

- *Goal 1: Improve the financial health of small farms.* RMA's education and outreach program will be directed to all agricultural producers of specialty crops, and will make a special effort to reach smaller farms. Nationally, small farms tend to be unprofitable. If RMA's education and outreach plan is effective and small farms become better risk managers, then the financial health of small farms should improve.
- *Goal 2: Increase specialty producers' skill and knowledge of risk management.* Good risk management means much more than just knowing about crop insurance. In some cases, it might include selecting an appropriate crop insurance policy. But, in other cases, it might also be the decision to self insure. Good risk management is understanding the context around which decisions regarding crop insurance and other risk management tools are made. If RMA's plan is effective, then specialty crop producers' knowledge of risk management alternatives will increase as will the skill of each producer in making good risk management decisions.
- *Goal 3: Increase crop insurance participation.* RMA recognizes that existing, Federal crop insurance products may not meet the financial risk management needs of certain specialty producers. However, many others producing specialty crops could benefit from crop insurance. These producers do not currently use

crop insurance because they lack good information from which to make a decision. Moreover, many new crop insurance products are envisioned in the 2000 Act. New products will increasingly meet the diverse needs of producers of specialty crops. Rural communities, and the public generally, will benefit if more farmers of the targeted commodities participate in these programs. If this education plan is effective in delivering sound crop insurance education and information to this segment of producers, the use of crop insurance should increase.

Program Element I - Educational Content

The Agricultural Risk Protection Act of 2000 directs RMA, using Federal Crop Insurance funding, to:

“ . . . provide producers with training and informational opportunities so that producers will be better able to use financial management, crop insurance, marketing contracts, and other existing and emerging risk management tools. . . .”

Specialty crop producers face various risks when managing farming operations. For producers to effectively manage these risks, they must first understand the different types of risks they will likely confront; and what strategies can be used to deal with these risks. RMA's educational initiative for specialty producers center around five major risk areas: Production, Marketing, Financial, Legal, and Human Resources. Diversification, crop insurance, marketing contracts, good record keeping and financial planning are just some of the tools available to manage these risks. The following general topics encompass the content for RMA's programs of education and information for specialty crop producers.

- General Risk Awareness. Research has shown that businesses generally have difficulty in properly assessing probabilities and risk. Farmers, in particular, frequently underestimate the chance that they will be adversely affected by a weather or price event. Information and training will be developed which helps specialty producers better identify the major risks to a farm's financial statements. And, to be able to make effective crop insurance decisions, producers should have a good understanding of production costs for each commodity grown. A clear knowledge of individual risk tolerance and goals are also a critical starting point for effective risk management. All information and training for this segment will be developed with an emphasis on how a better knowledge of risks provide the foundation upon which risk management decisions can be made.
- Production Risk. Weather and other natural perils can destroy the hard work and dreams of specialty crop farmers. Federal and private crop insurance, where available, is often a low-cost way for producers to protect their costly investment. Training segments dealing with yield risk will help farmers understand various crop insurance products and other yield risk management tools.
- Marketing Risk. Thoughtful marketing of agricultural products is an activity often neglected by many specialty farmers. Using price risk management tools,

including Federal crop revenue insurance, a farmer can gain control over price risk. Training segments in this area will help farmers understand the price risk management tools available for the crops they wish to market.

- Financial Risk. A producer can continually monitor his or her ability to bear financial risk by maintaining a set of accurate and informative financial records. Training segments dealing with financial management will help producers use financial records to determine: 1) the cost and availability of debt capital, 2) the ability to meet cash flow needs in a timely manner and 3) the ability to maintain and grow equity.
- Legal Risk. Legal risk issues cut across many areas of agriculture. Training segments in this area will deal with: 1) appropriate legal business structure for tax planning, contractual arrangements, tort liability, and statutory compliance, including environmental issues.
- Human Resources Risk. Labor and management issues can often pose significant risks for specialty crop producers. Training segments in this area range from maintaining a motivated labor force to making arrangements for an orderly transition of a farm estate.
- Making Risk Management Decisions. Simply knowing about available crop insurance and other risk management tools is only half the battle. A specialty crop farmer needs information concerning how various risks interact and the consequences of making alternative risk management decisions. Training segments in this area will help farmers acquire skill in making risk management decisions within the context of a sound business plan.

Program Element II - The Customer

The USDA defines a farm as a business operation that produces and sells more than \$1,000 in agricultural products during a year. Using this information, RMA is designating its primary and secondary customers as follows:

Primary Customers. The purpose of this initiative set forth in Section 131 of the 2000 Act is to increase:

“...the availability of loss mitigation, financial, and other risk management tools for producers, with a priority given to risk management tools for producers of agricultural commodities covered by Section 196 of the Agricultural Market Transition Act, specialty crops and underserved agricultural commodities.”

Section 196 deals with crops which are not covered under the Federal crop insurance plan. Speciality crops traditionally include fruits, vegetables, and tree nuts. These crops may be covered under a Federal crop insurance plan. Underserved commodities include crops grown by producers who have been traditionally underserved by Federal crop insurance. All producers throughout the U.S. meeting any one of these three criteria and designated by USDA as farms will be considered RMA's primary customers for this educational program. For convenience, all customers targeted in this plan will be referred to simply as specialty crop producers.

In targeting specialty crop producers, RMA will make a special outreach effort to “Small Farms” and, within the group of small farms, “Limited Resource” farms, as identified by the USDA National Commission on Small Farms. According to the Commission, a Small Farm is any farm with less than \$250,000 in annual sales. In 1997, Small Farms represented about 95% of all farms. Limited Resource Farms are farms with less than \$100,000 in annual sales, less than \$150,000 in farm assets, and less than \$20,000 in annual household income from all sources. New and future farmers who produce specialty crops will also be considered as primary customers. This group includes young farmers in the process of taking over farm operations from retiring operators, new immigrants who enter farming, agricultural students at Land Grant colleges, and students in AgEd programs in high schools and community colleges.

Secondary Customers. This group includes all professionals and organizations with a stake in the risk management skill of specialty crop producers, for example state agricultural departments and grower organizations. It includes organizations with an interest in preserving the financial health of rural, agricultural communities. It also includes those professionals who have frequent risk management “teaching opportunities” with primary customers, such as lenders, extension educators, insurance

agents, commodity brokers, grain elevator agents, input suppliers, and others.

All activity envisioned in this plan is expected to ultimately benefit RMA's primary customers and the rural communities in which they reside. Nevertheless, RMA recognizes that secondary customers can play an important role in helping to reach primary customers.

Program Element III - Delivery Methods

Specialty crop producers respond differently to alternative educational formats. For some, a traditional workshop session is a highly effective method for delivering information and for increasing management skills. However, many specialty producers are reluctant to attend workshops. Because of these differences, an assortment of formats is envisioned in this plan. RMA expects to sponsor educational activities that include the following formats:

- Specialty crop producer workshops and seminars.
- Risk Management Clubs.
- Self-study opportunities.
- Hands-on training through cost sharing (such as the Dairy Options Pilot Program).
- Individual specialty crop producer instruction by public and private professionals.

In addition to these direct delivery methods, selected indirect methods of reaching specialty crop producers and supportive activities are expected to also yield important educational benefits. These include:

- Media support and promotion
- Use of educational and informational technology
- Trainer preparation

By offering education through a variety of different formats, RMA hopes to maximize the learning and informational opportunities available to specialty crop producers.

Assessment of Results

The Government Performance and Results Act of 1993 requires that the Federal government be more accountable to the public by identifying clear goals for programs and by measuring specific benefits for taxpayer dollars expended. The benefits from educational programs, such as this one, are generally more difficult to measure and evaluate than are the benefits from other programs. And, measurable benefits from education programs are sometimes achieved only after the passage of time or after the targeted audience has had repeated exposures to educational information.

Even so, stakeholders in the educational program for the targeted audience need a clear description of how RMA plans on evaluating the public benefits of the program. Such an evaluation framework has been developed and is outlined below. It includes a set of objective indicators, linked to specific goals, which will be evaluated annually. Annual evaluations will help RMA, its stakeholders, and policy makers determine which areas of this educational program seem to be working and which areas warrant change.

The first set of measurements to be reported under this plan are activity measures. By themselves, activity measures provide no guarantee that concrete educational benefits will be achieved. But activity data can help clarify the significance of more direct measures. For instance, knowing the number of specialty crop producers attending educational workshops during the year would be useful in evaluating the extent to which these workshops contributed to an increase in producers' skill and knowledge (Goal 2). Also, in some cases, educational activity data might be leading indicators of future, tangible results.

Activity measures:

- *Specialty crop producers reached through each delivery method.*
- *Educational sessions conducted using each delivery method.*
- *Educational materials distributed through each delivery method.*
- *Dollars expended by budget category and delivery method.*

The second set of measurements deal directly with the goals identified in this plan. These indicators provide specific information from which conclusions regarding the goal can be drawn.

RMA, through this education program, should be considered to have a significant impact on determining whether Goals 2 (raising risk management knowledge and skill

levels) and 3 (increasing crop insurance participation) will be achieved. Even so, other factors are at work. For instance, private crop insurance companies, not the Federal government, deliver all Federal crop insurance products through their representative agents. Therefore, achieving the desired increase in crop insurance participation would reflect positively on the efforts of both RMA and its private sector partners.

On the other hand, much more varied forces will likely determine whether Goal 1 is achieved. The influence this education program has on the financial health of small farms will be limited to awareness that is raised for risk management, better knowledge of risk management by professionals dealing with specialty producers, and direct producer training and information. This impact is likely to be highly indirect and will be difficult to assess. Nevertheless, this education and information program could be sufficiently significant that specific results for this goal can be identified.

This plan's goals, with their respective indicators, are as follows:

Goal 1: Improve the financial health of small farms

Data for indicators will be drawn from NASS and ERS data.

Indicators:

- Average Net Income earned on small farms
- Percentage indebtedness on small farms
- Diversification measure (percentage value of top 4 crops)

Goal 2: Increase specialty producers' skill and knowledge of risk management

Data for indicators will be drawn from evaluations to be completed by participating producers in this education program.

Indicators:

- Specialty crop producers' knowledge of various risk management tools
- Specialty crop producers' perception of their risk management skills

Goal 3: Broaden specialty crop insurance participation for existing plans.

Data for indicators will be drawn from RMA's Summary of Business Report and NASS publications.

Indicators:

- Total and percentage of specialty crop value covered
- Total and percentage of specialty crop acres insured
- Total and percentage of specialty crop farm operators with policies

Educational Partnering

RMA's education partners are the key to its educational program success. A network of partners has already been highly effective in helping RMA reach many specialty crop producers with education programs. With increased opportunities resulting from the passage of the 2000 Act, however, this network of educational partners needs to grow.

What is an RMA educational partner? It is any public or private organization with a stake in the financial health of an agricultural community. These organizations have a vested interest in ensuring that their members or clients are well informed regarding risk, have good risk management skills, and know what tools can best be used to manage risk. Indeed, many educational partners are already providing significant educational services to producers.

RMA wants to partner with public and private organizations to leverage the government's resources with the talents, resources, and experience in those organizations. Partnering ensures that the USDA's educational programs are delivered efficiently. At the same time, partnering allows public and private organizations to maximize the impact of their educational efforts. By partnering in risk management education, public and private stakeholders alike can ensure that the producers who rely on them will remain financially healthy. Partnering also allows organizations to accomplish educational goals together that they could not accomplish alone.

The following are only a few of the ways public or private organizations can contribute to this education program through partnering:

- Be part of a local educational planning group.
- Participate in local educational activities:
 - Identify and recommend activities
 - Promote upcoming activities
 - Organize and co-sponsor
 - Participate as trainers
- Help develop instructional materials.
- Evaluate educational activities and programs.

Current partnering information may be obtained by visiting RMA's website at:

Glossary

The 2000 Act: The Agricultural Risk Protection Act of 2000. Among its other features, the 2000 Act bolsters the crop insurance program and risk management education.

Limited Resource farm: A small farm meeting three criteria—sells less than \$100,000 annually in agricultural products, owns less than \$150,000 in farm assets, and generates less than \$20,000 annually in household income from all sources.

Education Partners: Stakeholders in risk management education programs who are willing to combine their resources with RMA and others to sponsor or promote risk management educational activities.

Producer: The operator of a farm, defined by the USDA to be a business which sells agricultural products of more than \$1,000 annually.

RMA: The Risk Management Agency, an agency of the United States Department of Agriculture.

Risk Management: For farm operators, taking specific actions to reduce, transfer, or eliminate those risks which pose an unacceptable threat to the financial health of a farm operation.

Small Farm: A farm which sells less than \$250,000 of agricultural products annually.

Specialty Crop: For purposes of this education plan any crop which meets any of the criteria set forth in Section 131 of the 2000 Act. Criteria include traditional specialty crops (fruits, vegetables, and tree nuts), crops not included in a Federal crop insurance program, and crops produced by farmers and ranchers who have traditionally been underserved by Federal crop insurance.

Stakeholders: Public or private organizations or agribusiness professionals with an interest in improving education and information dealing with risk management as a means to increase the financial health of producers and rural communities.

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